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# Poverty, social exclusion and enterprise policy: A study of UK policies' effectiveness over 40 years

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## **Abstract**

This article is concerned with enterprise policy and its effectiveness when applied to those experiencing social exclusion through unemployment and poverty. In particular, the paper focuses on the introduction of the NEAS designed to support the transition from employment to enterprise, and it explores the extent to which knowledge about previous similar schemes has been used to inform this. Findings suggest that lessons learned from previous schemes have had little impact on decisions made in recent years. Scholarly evidence of and knowledge about the relationships between social exclusion, poverty and enterprise are not referenced and this suggests that policy understanding of the connection between social exclusion, unemployment and enterprise has developed little in the time period studied.

**Keywords:** social exclusion, unemployment, enterprise policy, enterprise allowance scheme, self-employment, poverty.

## **Introduction**

This paper provides a critical analysis of UK government attempts over the last four decades to address unemployment-based poverty and social exclusion by promoting business and self-employment, hereafter referred to as enterprise. The UK serves as a case study example of state intervention in a western developed nation to address social exclusion with enterprise.

Starting in the 1980's with the Enterprise Allowance Scheme (EAS), the paper reflects on UK policy engagement with the poverty and enterprise support agendas during the decades up to the current scheme, the New Enterprise Allowance Scheme (NEAS). Despite an implied homogeneity of focus on 'the unemployed' as a group, these policies have in fact touched a heterogeneous raft of contextual challenges which include inequality, poverty, in-migration, physical accessibility and economic sustainability. Williams and Williams (2011) query the appropriateness and capacity of policy initiatives to address these diverse challenges. More generally, Storey (2014) asserts that

the effects of enterprise policy remain ‘unproven’ at best and more directly, Shane (2009) and Arshed, et al (2014) refer to UK enterprise policy as ‘bad policy’ and ‘ineffective’ respectively. To explore in the context of unemployment this paper provides analysis and comparison of the effects of policies over the years on rates and quality of business and on the lives of those who have been beneficiaries of these policies. The key contribution of this article therefore is its analysis of what we have learned from the past to inform current policy and practice on enterprise support and policy to encourage enterprise from unemployment, and how that might inform future support. The value of the paper lies in its contribution to the discourse between knowledge makers and policy makers on social exclusion, poverty and enterprise.

The paper is structured as follows. First, a review of literature on the challenges of enterprise from a position of unemployment and poverty is presented as is a summary of the approaches to enterprise policy on enterprise and social exclusion in the UK. Following a description of the methodology employed to conduct a national case study, an exploration of business support in the UK during the 1980’s, 1990’s, 2000’s and 2010’s is presented. This includes critical analysis of the interaction between those who support societal and economic development and the knowledge creators. A summary of some of the knowledge in social and business studies and the links (or lack thereof) with policies is presented in the next section. Finally, this paper concludes by reflecting on the engagement between knowledge and policy with a view to possibilities for the future.

### **Poverty, social exclusion and enterprise**

According to Gordon (2006), poverty comprises three types: absolute poverty, relative poverty and social exclusion. Absolute poverty describes insufficient resource with which to sustain oneself, the type of poverty most often (though not exclusively) found in the developing world and often measured as living on less than \$2 per day. More relevant in developed nations, the second type, relative poverty, is income and resource availability that is lower than average in a country’s population. The third type, social exclusion, refers to the cumulative social disadvantages created by low resource availability, disadvantages that are simultaneously compounded by, and cause further, lack of participation in social structures such as education and wellbeing activities (Bhalla and Lapeyre, 1997). Ensuing intersecting issues, including skills deficit and low levels of social capital are also associated with social exclusion and particularly that wrought by lack of employment (Blackburn and Ram, 2006). For some, their exclusion is compounded further by alienation from the social structures that mitigate their deficiency.

Saar and Unt (2008) find in the developed world that some groups, such as migrants and disabled people, are more vulnerable than others, as are those located in geographically concentrated disadvantaged de-industrialized areas (Lindsay and Houston, 2011). More broadly, the UK government acknowledges social exclusion as a consequence of myriad circumstances, including youth or old age, ill health, or experience of discrimination based on some demographic feature such as race or gender (Gov.UK, 2013). A recurrent theme is financial hardship, and one of the main underlying causes for this is lack of employment. Beyond financial deficiency though, a lack of employment can further compound social exclusion, particularly as work constitutes a primary basis for social

organization (Casey, 2013); along with income, employment provides social interaction, skills maintenance and development, even dignity and personal identity (Varga, 2014).

One means by which governments have attempted to mitigate unemployment-based social exclusion is by promoting enterprise; the creation of one's own job via self-employment or business. However, heterogeneity amongst those who pursue enterprise generally is largely unaddressed in policy. Specific to the research context here, Mole, et al (2009) note that policy that encourages enterprise to mitigate deprivation has been criticised for not taking into account the heterogeneous backgrounds of those who experience poverty and social exclusion and those who pursue enterprise. Consequently, it is to consideration of the appropriateness of policy push to enterprise in the specific context of unemployment and social exclusion that we now turn.

### **Enterprise policy**

Underpinning government initiatives that promote enterprise as means of gaining employment is the notion that people *choose* to enter self-employment and business. Even in an innovation-based developed economy this is not a safe assumption though as there is plenty of evidence of various negative drivers of enterprise. Underemployment, redundancy, and of course unemployment are common pushes into self-employment and business, often representing circumstances where there are few economic alternatives (Storey, 1991; Rissman, 2003). The reasons for these restricted employment circumstances can vary, including for example, a stagnant employment market, personal limitation such as disability, or role-based restrictions such as parenthood and other caring responsibilities (Hughes, 2003; Dawson and Henley, 2012). In other words, those pushed into self-employment might be from social groupings that include those with disability, from vulnerable families, long-term and intergenerational unemployment, immigrants and/or refugees and any number of other circumstances (Saar and Unt, 2008; Gov.UK, 2013). Amongst many of these different groups, poverty is a common theme and the resonance of those so pushed to enterprise with those most likely to experience social exclusion as identified above is not coincidental.

Despite this, there is much evidence that social exclusion and other types of poverty are not conducive to enterprise. First, we know that capitalisation is required for most new business activity and that most business starters access finance from informal sources such as savings and family in the initial stages (Barrington and Ireland, 2010). From there new firms may leverage external finance, the providers of which usually require collateral (Deakins, et al., 1998). Yet we also know that in contexts of limited resources, access to these sources is unlikely (eg. Boyd, 2000) and in turn, from precarious financial beginnings, sole trading and self-employment – rather than business creation – are most likely, with low-value venturing anticipated (Henley, 2005).

Beyond the financial effects of unemployment and poverty, other challenges to enterprise capacity emerge. We know from empirical studies that high levels of human and social capital and access to role models and networks correlate positively with buoyant business creation and development (eg., Anderson and Miller, 2003; Henley, 2005; Pavey et al, 2006). We would expect therefore that the observedly low levels of human and social capital in contexts of deprivation to limit capacity for enterprise. In addition, enthusiasm

for enterprise may be low. Stuart, et al. (2016) report that work and income security were cited as the two top priorities amongst their sample of 1500 low paid workers – neither of which are commensurate with business and self-employment.

In the context of the extant knowledge, government initiatives to promote enterprise amongst unemployed people thus seem inappropriate and unlikely to succeed. Yet this has been pushed by a policy agenda that reflects an unwillingness to tackle deeper issues of inequality for those living in poverty and accessing the welfare system (Atkinson and Davoudi, 2000). In the UK, the EAS featured as a key policy of the 1980s which supported the unemployed into self-employment. After various other initiatives (not specifically focusing on unemployment to self-employment), three decades on it has returned, presumably based on a view that the old EAS was effective. Yet, in his analysis of its effects in an area in the north of England over time, MacDonald (1996) found only low value and ultimately unsustainable ventures had ensued. Beyond this, as identified in Storey (2014) and Arshed, et al. (2016), enterprise policy has not been and continues not to be effectively evaluated. Bögenhold and Staber (1991) suggest that policy rolled out during periods of economic downturn that encourages enterprise is simply a temporary and reactionary government response. Following this, we explore the same charge of policy that encourages enterprise at any time, downturn or not, amongst those who are socially excluded from the employment market. In the UK case, in short, with no evidence that the EAS worked in the 1980's why would its reintroduction work now? The purpose of this paper is to explore this in some detail using a historic case study approach. Specifically, two broad research questions are addressed:

- 1. What have we learned from previous policy initiatives on enterprise from unemployment and;*
- 2. Can social exclusion in the context of unemployment be tackled by the new iteration of the EAS?*

The next section details the methodology employed to engage with UK enterprise policy over the last four decades.

## **Methodology**

The justification for our approach is based on the consensus that evaluation of enterprise policy has been poor and that without access to longitudinal statistical data sets it is almost impossible to provide robust scientifically-driven evidence that policy is effective (Storey, 2014; Arshed et al., 2016). This is the underpinning rationale for the contribution offered here. We provide an analysis of what we do know about policy support for enterprise amongst those socially excluded and unemployed, as contained in academic and policy literature over the last four decades, with a view to understanding the effects of enterprise policy for those it aims to support.

To identify what should be represented in the review, a bibliographic procedure was applied, as per other exploratory studies of documentary data (eg., Smith, 2002; McElwee and Atherton, 2005). According to Rey-Martí et al (2016), bibliometric studies are a useful method of scientific inquiry into a particular phenomenon, discipline or study area. Using statistical techniques, bibliometrics create measures that provide useful insights

and informs the wider research community about what has been investigated, the extent to which there have been investigations and more importantly, scientific results that subsequently inform the current knowns and in some cases, unknowns, of a particular research area. However, with a lack of systematic study or data measuring the effects of enterprise policy initiatives (Arshed, et al. 2014), a bibliometric analysis is rendered impossible. Alternatively we present a bibliographic review and analysis of policy and academic literature over the four decades that represent the temporal scope of this case study. The intention is to collate some of the knowledge and understanding of policy and support, and its effectiveness, over the period.

Using the keywords ‘enterprise allowance scheme’ the criteria *relevance*, *quality* and *reference* were applied to determine the suitability of a document for inclusion in the analysis. *Relevance* was gauged by scanning documents that were directly connected to the EAS or NEAS. *Quality* was assessed by inspection for inherent features of the documents; for example some documents were promotional leaflets and thus they were discarded. The final indicator, *relevance*, involved the researchers scanning deeper into the content to look for reference to unemployment and self-employment and for content that enabled examination and direct consideration of data in relation to our research agenda.

Four broad searches for data were conducted in early 2017. The first search focused on the UK Government web archives. Two filters were employed which enabled examination of documents from the Department of Business Innovation and Skills (BIS) and the DWP. The search text ‘enterprise allowance scheme’ resulted in 1,138 matches, and following the procedures outlined above, seven documents were identified with content that was compliant and thus selected for detailed examination.

Search two followed the same principles, but in this case academic publications were sought and so the JSTOR database was the source. JSTOR is a multidisciplinary academic database and search engine. Although other databases are available, JSTOR was attractive owing to its archiving capability and accessibility to current publications. The same search text, ‘enterprise allowance scheme’, was applied as was ‘\*employment’, and from 652 text matches five publications were obtained.

The third search involved accessing archives of the UK Parliament, the Hansard archives. These archives extend back to 1803 and up to 2005 (the last year records are held) and contain records of discussions, meetings and reports from the House of Commons. The search, as before, employed the text ‘enterprise allowance scheme’ and in this case the terms ‘\*employment’ and ‘enterprise’ were added. Thereafter, filters were applied for each decade: 1980s 1990s and 2000s (up to 2005 as per archive availability). The 12,127 text results were scanned and three documents were retrieved for a deep content analysis.

In total 15 documents were selected using this systematic data collection process. Table 1 provides summary details.

*Table 1: Systematic search criteria* Systematic Review Summary

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Database	Filter	Search Text	Results
Search 1: UK Government <a href="https://www.gov.uk">https://www.gov.uk</a>	Closed organisation: Department for Business, Innovation & Skills	Enterprise Allowance Scheme	704
	Department for Work and Pensions	Enterprise Allowance Scheme	434
Search 2: JSTOR	<ul style="list-style-type: none"> <li>• Journals</li> <li>• Business</li> <li>• 1980-2016</li> </ul>	Enterprise Allowance Scheme  Employment, self -employment and unemployment	652
Search 3: HANSARD 1803–2005 <a href="http://hansard.millbank&lt;br/&gt;systems.com/">http://hansard.millbank systems.com/</a>	None applied	Enterprise Allowance Scheme	8,310
	1980s	Enterprise Allowance Scheme	2292
	1990s	Enterprise Allowance Scheme	1128
	2000s (<2006)	Enterprise Allowance Scheme	397

Online bibliographic methods are only as successful as the databases available and accessible. Since this study sought to include inspection of documents that were created and in circulation before the 1990s – in pre-internet times – there is inherent risk of incomplete data borne of limited online availability of archives. In fact, for this research it became evident during the data gathering process that there were several documents that could only be located in hard copy since they pre-dated routine internet publishing. The authors between them had many of these hard-copy only documents. While this data was unsystematically sourced from the personal archives of the research team, it was decided that it would be useful to add these to the review because they offered a contextual contribution to the analysis. Cognizant of the research terms and processes employed by the systematic searches, from this fourth search a further 12 documents were sourced from personal archives.

*Table 2: Documents retrieved from Non-Systematic search*

Non-Systematic Summary		
Number of Documents	Digital format	Non- digital format
N=12	9	3

Analysis of the final 27 documents enabled common themes and extant knowledge to be collected. In this case approach, following Morris et al. (1994) and Baden et al. (2011), content analysis of texts was considered particularly useful for the organisation and management of data and suited to the purpose of this study.

## **Review and Outcomes**

This study is time bound and inquiry begins in the 1980s when enterprise, and particularly regional socio-economic and cultural forces, became highly topical (Greene 2002). We proceed through four periods to present times, capturing key features of enterprise support and policy. Throughout this timespan our approach to data collection provides an inclusive view of how enterprise has been supported and where policy interventions such as the EAS are recycled. We assess, based on the evidence, the appropriateness or otherwise of current enterprise support for those experiencing



unemployment. The following section begins in the 1980s, when the UK was experiencing significant political, economic and social change (McCrone, 2001).

## **1980s**

The first period of targeted support to encourage enterprise amongst those on low incomes was in the early 1980s: a decade of deindustrialisation, under-development of particular local and regional economies, and of transition from top-down Keynesian redistributive regional policies to bottom-up indigenous development. In a global recession, industrial areas experienced the closure of branch plants of multinational companies and the loss of many (higher value) functions to headquarter offices elsewhere, but the main driving force for decline was the fundamental restructuring of the public sector (McCrone, 2001; Danson, 1991). Identifying a ‘dependency culture’ in the old industrial regions of the north and west of the UK (Bosworth and Gray, 2012), the Thatcher government embarked on a strategy of withdrawing support for nationalised industries that had been the bases of many of these communities, fattened parts up for privatisation, which happened to be closer to the south east of the UK, and left the populations and their business sectors to try and grasp opportunities for endogenous growth.

A key element in addressing what were perceived to be the fundamental problems of these economies – low birth rate of new firms, lack of enterprise, dependency on large plants of nationalised and multinational companies – was the introduction of a range of measures to promote enterprise (Smith and Air, 2012). Many of them were intended to generate an entrepreneurial culture amongst the unemployed, the redundant, those who were barely economically active in heavily unionised communities. Essentially these groups were becoming socially excluded. Enterprise by these groups was to be part of the modernisation of the economy in those areas, allegedly held back by attachment to outmoded ways of production and process. Compared with the dynamic capital and south east of the UK, the low rates of start-ups and self-employment in Scotland, Wales, the North East of England and Northern Ireland were holding these economies back from sharing in the potential offered by deregulation of finance, labour and product markets.

Robson (1998) argued that there were two broad approaches to increasing the numbers of businesses and self-employed workers in the 1980s: supply and demand. First, from a demand perspective, with very few job opportunities and a lack of inward investment, many people moved into self-employment to escape or avoid unemployment (levels reached 40 per cent for men in the former coalfields of Ayrshire and South Wales, for instance). The best known and flagship policy to raise enterprise levels amongst the lower income groups was the EAS, a temporary subsidy to encourage take-up of this form of activity. EAS was in operation from 1982 to 1991, and over half a million people participated in the scheme (Scott, 1995). Significantly, compared with later measures, if an unemployed person could demonstrate s/he had £1000 of capital in personal funds to invest, the EAS enabled unemployed people to receive £40 per week whilst working to establish a business. In addition, charitable efforts to encourage enterprise were also developed and boosted in this period (Greene et al., 2004). Increasing the numbers of young entrepreneurs and other marginalised groups was also a target, with the general

aim of raising the business birth rate and numbers of self-employed generally; the Prince's Trust (formerly the Prince's Youth Business Trust) and Shell LiveWIRE were set up to encourage such developments for example (Storey, 1994; Greene et al., 2004).

The second approach to developing enterprise creation and self-employment comprised the 'entrepreneurial renaissance', which was being 'stimulated in part by various government-initiated supply-side measures such as reductions in the rate of income tax' (Robson, 1998, p199). The problem regions, formerly heavily dependent on now declining industries, pursued policies and actions that bridged these drivers, with many parts of Scotland (Holt, 1996), the North East of England (Greene et al., 2004) and the South West of England (Chaston, 1992) introducing measures to support new entrepreneurs.

Yet, as the analyses of Ashcroft and Love (1995), Reynolds et al. (1994) and Smallbone and North (1995) demonstrated, increasing the quantity of new firms was unlikely to be sustainable. Consistent with this view, the longer term analysis conducted by Robson (1998) subsequently suggested that it was rising wealth that in fact accounted for the increase in self-employment and enterprise formation in the 1980s. More significantly, cross sectional evaluations of the success of the 1980s' interventions are consistent in questioning the effectiveness of the EAS and similar schemes, with Ashcroft and Love (1995) and Acs and Szerb (2007, p121), forecasting and confirming respectively that there was no evidence that "pursuing policies to push the unemployed into necessity entrepreneurship has any overall positive social benefits, unless it is part of a strategy to reshape cultural factors over time". Indeed, Storey and Strange (1992) had concluded by the start of the 1990s that these policies promoted excessive levels of displacement and churn with no appreciable improvement to levels of enterprise and entrepreneurship.

One strong characteristic of the new enterprises of the 1980s was their tendency to be located in contestable sectors subject to high levels of competition, personal services, such as hairdressing and taxis, and construction being typical (MacDonald, 1996). Even where there was entry to manufacturing, there was powerful evidence of the limitations of the policy goals being achieved beyond the short term. In his study of EAS in the north of England, MacDonald (1996) found that no firm survived in the long term. Similarly, Hart and Hanvey (1995) found that while new and small indigenous firms had a significant role in the job generation process in Northern Ireland in the period 1986–90, the level of displacement associated with these job creations was 'sufficiently high to cause concern about the long-term sustainability of these trends' (p97). They concluded that 'policies designed to stimulate new firm formation and small firm growth are not in themselves sufficient to promote growth' (p97). So, while there was a superficial increase in new business start-ups, there was no sustainable net betterment and the schemes were expensive and ultimately failed to generate cultural or economic change; in the words of Gallagher et al. (1995, p79), the issues were "quality as well as quantity, and more careful promotion of start-ups may improve their chance of survival".

## **1990s**

Transition to a new decade was underpinned with dissatisfaction and significant downturn in key economies in the UK with recession and radical government policy of

the 1980s continuing into the early nineties (McCrone, 2001). In surveys conducted by MORI it was observed that the percentage of the population who were committed to starting a business increased from 1.2 per cent in 1992 to 2.4 per cent in 1999, yet results from the systematic literature search show a decline in parliamentary discourse around enterprise support. Instead there were increased discussions on small business development and greater focus on ‘picking winners’ and ‘letting a hundred flowers bloom’ as an approach to new firm formation, specifically articulated by Storey (1994) and documented elsewhere, such as PERC (2000) and Trebeck (2007).

In Scotland, narratives of economic development centred on how the Scottish Development Agency and the Training Agency would morph into what would become, in April 1991, Scottish Enterprise (Hood, 1991). Economic development had never in the past received such intense focus at a national level, but in Scotland the push to create an economic solution to job and business creation was uppermost in the minds of politicians. This scenario was not mirrored in other parts of the UK as New Labour policy began to take effect (Deakins et al., 1998). The wider UK context was captured by Taylor (1999) with an investigation into periods of self-employment which found empirically that a pattern existed where individuals exited from self-employment not through bankruptcy in the main, but through alternative opportunities becoming available in employment.

Considering the fuels of development of economic activity, the 1990s present a contested issue. Meager (1992) and Storey (1993) assert that any link between unemployment and enterprise was merely one assumed by policy. Meager (1992) considered any connection between unemployment and self-employment to be entirely inappropriate, and in turn, Storey (1993) argued that the link between being unemployed and new firm formation was not in fact sound and that thinking should move forward towards the interface between firm and industry. Wider academic discourse corroborated this, suggesting that those who were more successful in self-employment were in fact less likely to have ever been unemployed, and had capital to invest in the start-up phase of their business (see Henley, 2017 and Taylor 2001 and evidence of windfall payments linked to start-up). Effectively, by the end of the 1990s an evidence base was in place underpinning the argument that employment was for many the preferred option and that those remaining self-employed displayed a particular inconsistent profile.

## **The 2000s**

The push from unemployment to enterprise had all but disappeared from literature from the early 2000s onwards. In fact, despite the (then) New Labour government’s specific prioritisation of tackling social exclusion, this agenda was not linked to enterprise policy and support; the Hansard archives did not contain any content directly related to the EAS, and instead featured discussions around the many enterprise schemes and funds that focused less on the individual and unemployed and more on small business and growth. While the academic literature considered the connection between self-employment and unemployment a faulty arrangement, policy appears to have jumped gauge and changed trajectory, led by a growing economy (Taylor, 1999).

Essentially, until 2008, the economy was growing so no-one needed or looked to new enterprise as an economic or social solution to poverty. Despite this growth, poverty

statistics remained constant (DWP, 2015) but during this period there was little suggestion that the unemployed should consider self-employment (UK Parliament, 2003). The targeted support during this time instead was based on identifying specific sectors and encouraging global engagement, and in concert, academic thinking around the beginning of the Noughties had changed to focus on SME capabilities for job creation (Taylor, 2001). Only when the Global Entrepreneurship Monitor research identified a decline in start-up rates did things begin to change (Levie, 2011). The findings, highlighted in the media by for example, the Scotsman (2011), reported a lack of entrepreneurship support in higher education representing ‘a lost generation of entrepreneurs’. Compounding this were the events of 2008, when wealth, job creation and new firm growth were shocked by the financial crisis. The corrections by policy were slow to take shape with little reaction evidenced until 2011. When they did appear though, it was in the form of DWP policy to reintroduce EAS as a solution to tackling unemployment through self-employment (DWP, 2016b).

### **The current situation from 2010**

Introduced in 2011 and originally aimed at those in receipt of Jobseekers’ Allowance (JSA) for more than 26 weeks, the NEAS is now available at any time to those claiming unemployment benefits, including those moving from the shorter-term Income Support entitlement to JSA (UK Government, 2016). The NEAS provides access to a business third party mentor and on the condition that the business operates for at least 16 hours per week, it also provides a weekly allowance of £65 a week for the first 13 weeks, followed by £33 a week for the next 13 weeks, and access to a loan of £500 to £2,500 at 6 percent interest over a maximum of five years.

Appraisals of the NEAS since its inception have been limited. The DWP (2016a) claim that nearly 85 thousand new businesses have been created. In 2014, it put the average rate of NEAS-based business start-up at 460 per week, having “helped jobseekers of all ages, lone parents and people on sickness benefits to turn their entrepreneurial dreams into a reality”. More recently, the DWP (Atkinson and McKenna, 2016) have reviewed the recipients and impacts of the NEAS, finding that 81 percent of the ‘businesses’ are sole traders or self-employed and, of the 19 per cent that are not, most include also a business partner or the unpaid and paid contributions of family and friends. According to Atkinson and McKenna (2016) most of the businesses created are in the service sector and 45 per cent are in industries in which recipients have no previous experience. They report 39 per cent were started in craft industries and attribute this to the use of hobbies and interests to prompt businesses ideas; they do not mention the alternative hypothesis that craft businesses have low barriers to entry in terms of capital and skills requirements (Lee, et al. 2010). Despite the indications of low value, Atkinson and McKenna (2016) claim that 80 percent of the firms are sustainable (defined as having survived for 12 months) and aspirations and plans for growth are reported throughout the media (eg., BBC, 2016).

Other appraisals are not quite as celebratory. At the start of the NEAS an accountancy group described the scheme as ‘harebrained’ and its intended impacts of creating 50,000 new businesses as ‘fantasy’ (UK200Group, 2011). Additionally, there has been some

criticism of the provisions of the scheme itself. For example, the one-to-one NEAS mentoring is outsourced to a variety of private providers and should include critique of the business idea and evolving business and personal plans (Atkinson, et al., 2013). This seems reasonable, resonating with research such as Deakins et al. (1998) and Ensher, et al (2000) that when providing inspiration, support and experience-based advice, mentoring adds value and assists sustainability of new ventures. However, in a later survey of NEAS, the DWP (2016b) note that there is variation in the quality of support across locations and different mentoring providers. In fact, some mentors are volunteers while others are paid, and in many cases what is actually offered is more akin to assessment of performance than development support and advice.

In terms of its use amongst some of the groups known to be disproportionately affected by social exclusion and relative poverty, Prowess, the online community of women in business, was similarly unimpressed with the NEAS' potential for female enterprise. In the context of record levels of women losing their jobs, Watson (2013) noted that only a third of NEAS recipients are female (also reported by DWP, 2016a, and Atkinson and McKenna, 2016). They claim the short time the NEAS pays a weekly allowance does not fit the profile of women business starters who often begin on a part-time basis and over a longer period. In fact, Watson's report compares the NEAS with the original 1980s EAS and advocates the original as of greater use to women as it provided support for a year, including travel expenses and childcare costs.

The context of self-employment as an alternative to unemployment thus continues to be contentious. In their study on poverty in self-employment, Galloway et al. (2016) cite some individuals who describe being pushed into self-employment, reporting testimony of having been compelled to pursue enterprise through NEAS as a consequence of no longer qualifying for other benefits as a result of re-categorisation of their entitlement status. The NEAS-enabled 'businesses' profiled in that study are low value and of limited sustainability potential. Self-employment is described as providing precarious incomes, below minimum wage, with some evidence of reliance on crisis support and foodbanks. This evidence sits entirely in opposition to aspirations for what the former Minister for Employment, Esther McVey, referred to in a press release on the success of the NEAS as the 'backbone' of businesses "employing people and helping to make the goods and provide the services which are powering the UK's economic recovery" (DWP, 2014).

## **Discussion**

In terms of the broad research questions posed in this paper, our reflective analysis on the case study of UK policy activities aimed at promoting enterprise amongst those socially excluded by unemployment makes some contribution.

In response to RQ 1, *What have we learned from previous policies on unemployment and enterprise?* it would appear very little. Indeed, we are unlikely to learn much without systematic and comprehensive evaluation of them. The limited evaluation of enterprise initiatives generally have long been highlighted as a concern (Storey, 2014; Arshed et al., 2016). However there are alternative sources of information that might have facilitated learning had they been considered and these merit note.

First, from the Economics literature the evidence is that high self-employment rates correlate negatively with economic growth; they are indicative of an unreliable or dysfunctional labour market. Bogenhold and Staber (1991), Saar and Unt (2008) and Broughton and Ussher (2014) all find the highest rates of enterprise where there are labour market deficiencies. As evidenced in this study, both Meager and Story speculated in the early 1990s that sustainable contributory business activity would not come from resource scarcity contexts. Analysis of enterprise and economic growth in the 1980s, reported in Robson (1998) corroborated this, finding that it was wealth that facilitated economic development during the period. Other studies since then have provided more information again. Henley (2005) for example, links sustainable and growth business to contexts that include housing wealth, professional parental background and high education levels and Sanandaji and Sanandaji (2014) find that growth businesses emerge from healthy employment markets with good availability of capital.

On the other side of the coin, the data collated for this study shows that by the start of the 1990s there was evidence (eg. Storey and Strange, 1992) that the facilitation of self-employment and sole traders from unemployment led to churn and displacement and not sustainable business and economic revitalization. Schemes such as the 1980s EAS may have provided an opportunity to try self-employment, but without tackling the underlying features of social exclusion amongst those unemployed, there would be little capacity building in terms of financial and social resources required for sustainable business. The same limitations that restricted access to the employment market – lack of skills commensurate with the new post-industrial economic circumstances (Lindsay and Houston, 2011), lack of networks from which to gather resources and information, and lack of financial capital, all compounded over time by ongoing unemployment – these could not be mitigated by self-employment. Instead, self-employment just became a new context of social exclusion. As identified by MacDonald (1996) of the initial EAS, local markets become saturated and unable to support new service businesses such as photographers, hairdressers and window cleaners, in any numbers. A picture of low-value and unsustainable enterprises thus emerged. Since the responsibility for success in a self-employed or enterprise context sits with the individual, we can only imagine the ensuing effects of failure – identified as common by MacDonald (1996) – to have exacerbated social exclusion further. Thus, the paradigm that connects self-employment with unemployment is contested without doubt; the evidence-based academic literature entirely contradicts the argument that robust and strong businesses are borne from circumstances of poverty. The limited evaluations of the current NEAS suggest this is will result in similar outcomes, but in the case of this new version the challenges may be even greater.

The conditions of the original EAS stipulated that to qualify, an individual had to demonstrate they had £1,000 of their own capital to support their start-up. This implies that account had been taken of established knowledge that capitalization is a key influence on the chances and fortunes of a start-up (Barrington and Ireland, 2010). The requirement of investment on the part of the EAS recipient also implied a sharing of risk between state and individual. This seems reasonable – the personal financial commitment of an individual imposes a vested interest in making an enterprise work and discourages those who might exploit the EAS as a source of income. Without account for the effects of social exclusion beyond financial resource though, this risk was not, in reality, shared.

Instead, this condition required those of low financial resource to invest in enterprise that would be likely to fail as a consequence of the antecedents of social exclusion already outlined. In fact, by having people invest their own money in this way, the longer-term effects of the EAS was to *reduce* the financial circumstances of those who had been unemployed. The NEAS does not have the £1,000 investment condition. Instead the thinking behind the NEAS appears to trust recipients to work at their enterprises – monitored by a mentor of course – without the need for initial personal investment. Any capitalization beyond the resource of the weekly allowance can be sourced via a loan. However, since those who have been unemployed are likely to have poor credit history and little or no collateral, they would be unlikely to qualify for a loan. Even where this might be accessed, the background is an individual with an *absence* of employment, personal funds, and a likelihood of social exclusion. The current NEAS thus has the potential to plunge its participants into further financial peril by encouraging the take up of an enterprise likely to fail, and indeed, to have this compounded by further debt from an interest-bearing loan. If the business venture is unsuccessful the loan still requires repayment, risking further exacerbation of poverty and social exclusion.

Despite these signs that without reference to the antecedents and causes of social exclusion, policy pushing enterprise from unemployment may be ineffective, the NEAS is presented as a successful initiative. Atkinson and McKenna (2016) assert business sustainability as survival for 12 months and on this basis claim a success rate of 80 percent. However, since the weekly NEAS allowance is payable for 26 weeks, an enterprise can be in existence for half a year without any evidence of turnover. The effects of the loan on apparent success are likely to last longer. We conclude therefore that in these circumstances, 12 months of operation does not imply success by any reasonable business or economic measure. In fact, survival beyond three years is a more common measure of sustainability (Stanworth and Grey, 1991), but we have no data on that.

From a quality perspective we have similarly limited data. We know little about the ‘success’ of (N)EAS in terms of pay, skills or indeed the need for top-up support in the form of in-work benefits. Despite the lack of such details, according to the House of Commons (2015), the UK business creation rate has risen by 55 percent since 2000. However, the proportion of those that have employees has fallen (from a third to a quarter), while the proportion of those with no employees has risen. This means that a lot of the enterprise success reported is actually represented by a 73 percent rise in the number of sole traders and self-employed. Amongst these are those helped into business by the NEAS. The idea that poverty and social exclusion are eliminated by this self-employment based enterprise is naïve. Murphy (2015) reports that self-employment pays substantially lower than employment – forty percent lower according to D’Arcy and Gardiner (2014). Further, it is identified throughout the literature as including precarious and eclectic work (Harkiolakis, et al. 2012; Prosser, 2016). Self-employment on this basis is not emancipatory ‘business’, it is another form of social exclusion that requires an individual to take responsibility for financial and social life in contexts of limited market opportunity and low resource availability. Therefore, in terms of RQ2, *Can social exclusion in the context of unemployment be tackled by NEAS?* it seems likely that the potential for social exclusion is actually *reinforced* since the social and financial antecedents of social exclusion – and the material factors for enterprise – are not

addressed. It becomes an almost paradoxical position that enterprise initiatives aimed at disadvantaged groups such as NEAS may perpetuate welfare dependency; where earnings are low, levels of in-work benefits will increase.

## Conclusions

In this paper we have explored the dynamics and interplay between and betwixt policy, social exclusion from employment, and enterprise. According to the narrative in the 2016 budget statement (HM Treasury, 2016), “Businesses are the lifeblood of the economy, and it is enterprise and innovation by British business which will deliver growth and opportunity for the next generation”. We do not dispute this. But start-up rates and self-employment are not proxies for business growth and entrepreneurship. Instead, they can be contexts of social exclusion and we contend that government policies that encourage or push people from unemployment to enterprise as a means by which to alleviate social exclusion may be having the opposite effect in practice, in some cases worsening it.

This article concludes that there was a distinct lack of evidence underpinning the reintroduction of the NEAS, unsurprisingly really with Storey (2014) and Arshed et al. (2016) having already highlighted the endemic weakness associated with evaluation of enterprise policy. Despite consistent questioning of the economic utility of any connection between unemployment and enterprise in the research literature, UK policy includes promotion and even compulsion to engage in enterprise as an alternative to unemployment. As such, rather than being better informed by the knowledge-base that has developed over the last 40 years, the NEAS seems less informed than its 1980s predecessor. The original EAS took account of the need for start-up capital and it paid starters more for longer. Conversely, the NEAS, through the use of loans and mentoring arrangements of variable focus and quality, may worsen the financial and social circumstances for individuals; the antithesis of its asserted intentions. The prevailing situation appears to be that as our research-informed knowledge about enterprise and business has grown, the extent to which it has been used to inform policy has diminished.

In relation to social exclusion, unemployment is only one part of a range of intersecting issues such as secure and affordable housing, education and poverty. The inequalities of society in terms of wealth and social inclusion cannot be remedied by enterprise but instead are just replicated in the self-employed context. This replication will prevail until there is meaningful policy engagement with the underlying features of social exclusion, including education, social mobility and opportunity. In contrast though, government reporting on evidence on outcomes of the (N)EAS is superficial and hyperbolic. It paints a picture fitting the wider political agenda and rhetoric – where enterprise is always presented as a positive economic and social force. The evidence in the academic literature entirely contradicts this proposition and in fact suggests that addressing social exclusion by pressing people to employ themselves will only deepen their exclusion further.

In the end, it appears we have learnt little from our past about how we can better organise social and financial support. Perhaps the real question is *why* we haven’t learned. In their analysis of how enterprise policy is made, Arshed, et al (2014) note the disconnect between the agendas of those who make policy and the needs and interests of those for whom the policy will apply. In the context of policy to encourage and support enterprise



from unemployment, we suggest a disconnect borne of an absence of engagement of target beneficiaries in policy development and a reluctance to generate clear objectives and subsequent meaningful measures to afford effective evaluation.

### *Implications for policy*

In terms of future possibilities it is clear that enterprise policymakers and academics would benefit from more vigorous and fruitful dialogue that focuses on how to improve the lives for future generations on low incomes or facing social exclusion. As social exclusion does not have one specific isolated cause, policies, enterprise related or otherwise, require a coordinated strategic approach to improve social outcomes. Reducing unemployment figures by pushing enterprise will not address social exclusion. This is not to say that those who are unemployed and wish to engage in enterprise should not receive support (financial or otherwise). We advocate quite the opposite, but stress the need for support to draw from evidence-based knowledge to be realistically designed to enhance chances of success. Real engagement with this agenda requires commitment with the wider socio-economic challenges that affect unemployed people though, such as lack of financial, human and social capital, higher levels of disability and ill-health relative to the rest of the population, and lack of opportunities for business as a consequence of an impoverished market environment.

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